

**PUBLIC ACCOUNTS  
OF THE  
GOVERNMENT OF NUNAVUT  
FOR THE YEAR ENDED MARCH 31, 2002**

**HONOURABLE KELVIN NG**

**Minister of Finance**

**THE HONOURABLE PETER IRNIQ  
COMMISSIONER OF NUNAVUT**

I have the honour to present the Public Accounts of Nunavut for the fiscal year ended March 31, 2002. I would ask that these accounts be laid before the Legislative Assembly in accordance with the *Financial Administration Act*, R.S.N.W.T. 1988, c.F-4, S. 74 as amended, and duplicated for Nunavut, and the *Nunavut Act*, S.C. 1993, C.28, s.44.

Honourable Kelvin Ng  
Minister of Finance

Government of Nunavut  
Iqaluit, Nunavut  
April 25, 2003

**CONSOLIDATED FINANCIAL STATEMENTS**

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**Public Accounts of the  
Government of Nunavut**

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## STATEMENT OF MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

The preparation of these consolidated financial statements for the Government of Nunavut, and related information contained in the Public Accounts, is the responsibility of management of the Department of Finance.

The consolidated financial statements have been prepared in accordance with the accounting policies set out in Note 2 to the consolidated financial statements and comply with the recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants wherever applicable. When alternative accounting methods exist, management has chosen those it believes are most appropriate. Where required, management's best estimates and judgments have been applied in the preparation of these statements.

The Government fulfills its accounting and reporting responsibilities, through the Department of Finance, by maintaining systems of financial management and control. These systems are continually enhanced and modified to provide timely and accurate information, to safeguard and control the Government's assets, and to ensure that all transactions are in accordance with the *Financial Administration Act*.

The Public Accounts are referred to the Standing Committee on Government Operations and Services after they have been tabled in the Legislative Assembly. The recommendations of this committee will be reviewed and acted on, where appropriate, to improve financial management and control as well as reporting practices, and the systems of internal controls.

The Auditor General of Canada conducts an annual audit of the consolidated financial statements in order to express an opinion as to whether the statements present fairly the financial position, results of operations, change in net debt and cash flows for the year. During the course of the audit, she also examines transactions that have come to her notice, to ensure that they are, in all significant respects, within the statutory powers of the Government and those organizations included in the consolidation. The Auditor General's opinion is included with the consolidated financial statements.

After completion of the audit, the Auditor General provides additional information, comments, and recommendations in her annual report to the Legislative Assembly of Nunavut.

The fundamental purpose of the financial statements is to provide information to the Legislative Assembly and the public as to the full nature and extent of the Government's financial affairs. The Government is complex, and no one measure can capture all aspects of its finances. Together the four main financial statements provide five messages. The consolidated statement of financial position illustrates both net debt and accumulated surplus. Net debt is a measure of past costs which will have to be paid in the future. Accumulated Surplus represents the government's total financial and non-financial resources and obligations. The consolidated statement of operations gives an indication of whether or not the government has maintained its assets during the year. The consolidated statement of net debt reports whether revenues were able to cover the spending. Finally, the consolidated statement of cash flows shows sources and uses of cash during the year.

Honourable Kelvin Ng  
Minister of Finance

Robert Vardy  
Deputy Minister of Finance  
and Comptroller General

## AUDITOR'S REPORT

To the Legislative Assembly of Nunavut

I have audited the consolidated statement of financial position of the Government of Nunavut as at March 31, 2002 and the consolidated statements of operations, change in net debt and cash flows for the year then ended. These financial statements are the responsibility of the Government. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Government, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Government as at March 31, 2002 and the results of its operations, the change in its net debt and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles for governments recommended by The Canadian Institute of Chartered Accountants' Public Sector Accounting Board.

Further, in my opinion, the transactions of the Government and of those organizations listed in Note 1 to the consolidated financial statements that have come to my notice during my audit of the consolidated financial statements have, in all significant respects, been in accordance with the Government's powers under the *Nunavut Act*, the *Nunavut Financial Administration Act* and regulations and the specific operating authorities disclosed in Note 1.

Additional information and comments on the consolidated financial statements and this opinion will be included in my annual report to the Legislative Assembly of Nunavut.

Sheila Fraser, FCA  
Auditor General of Canada

Ottawa, Canada  
April 25, 2003

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**GOVERNMENT OF NUNAVUT**

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**Consolidated Statement of Financial Position****as at March 31, 2002***(thousands of dollars)*

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|  | 2002              | 2001              |
|--|-------------------|-------------------|
| <b>Liabilities</b>                                 |                   |                   |
| Accounts payable and accrued liabilities (Note 10) | \$ 159,954        | \$ 108,295        |
| Employee future benefits (Note 11)                 | 26,593            | 24,433            |
| Long term debt (Note 12)                           | 54,544            | 55,733            |
| Capital lease obligations (Note 15)                | 136,569           | 135,695           |
| <b>Total liabilities</b>                           | <b>377,660</b>    | <b>324,156</b>    |
| <br><b>Financial assets</b>                        |                   |                   |
| Cash and temporary investments (Note 5)            | 139,213           | 62,572            |
| Due from Canada (Note 6)                           | 56,764            | 100,372           |
| Revenues receivable (Note 7)                       | 40,652            | 55,130            |
| Bulk fuels and other inventories for resale        | 31,714            | 28,798            |
| Loans receivable (Note 8)                          | 19,349            | 21,413            |
| Investment in Nunavut Power Corporation (Note 9)   | 27,530            | 37,599            |
| <b>Total financial assets</b>                      | <b>315,222</b>    | <b>305,884</b>    |
| <br><b>Net debt</b>                                | <b>(62,438)</b>   | <b>(18,272)</b>   |
| <br><b>Non-financial assets (Note 2 i))</b>        |                   |                   |
| Tangible capital assets (Schedule F)               | 867,990           | 824,695           |
| Prepaid assets                                     | 1,466             | 4,867             |
| <b>Total non-financial assets</b>                  | <b>869,456</b>    | <b>829,562</b>    |
| <br><b>Accumulated surplus</b>                     | <b>\$ 807,018</b> | <b>\$ 811,290</b> |

Contingencies (Note 17)

**Approved:**Honourable Kelvin Ng  
Minister of FinanceRobert Vardy  
Deputy Minister of Finance  
and Comptroller General

The accompanying notes and schedules are an integral part of the consolidated financial statements

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**GOVERNMENT OF NUNAVUT**

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**Consolidated Statement of Operations****for the year ended March 31, 2002***(thousands of dollars)*

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|   | 2002              | 2001              |
|---|-------------------|-------------------|
| <b>Revenues</b>   |                   |                   |
| From Canada (Schedule A)  | \$ 688,838        | \$ 687,158        |
| Revenues generated by Nunavut (Schedule A)  | 66,240            | 100,500           |
| <b>Total revenues</b>   | <b>755,078</b>    | <b>787,658</b>    |
| <b>Expenses (Note 13)</b>   |                   |                   |
| Education   | 157,116           | 163,548           |
| Health and Social Services  | 155,894           | 141,782           |
| Finance   | 146,556           | 118,108           |
| Public Works, Telecommunications and Technical Services                                       | 109,984           | 93,025            |
| Community Government and Transportation   | 81,434            | 67,414            |
| Justice   | 38,699            | 37,342            |
| Sustainable Development   | 32,925            | 30,643            |
| Other   | 42,576            | 57,509            |
| <b>Total expenses</b>   | <b>765,184</b>    | <b>709,371</b>    |
| <b>Excess of revenues over expenses</b>   | <b>(10,106)</b>   | <b>78,287</b>     |
| Projects for Canada and others  |                   |                   |
| Revenues  | 25,872            | 21,131            |
| Expenses  | (25,872)          | (21,131)          |
| <b>Surplus (deficit) for the year</b>   | <b>(10,106)</b>   | <b>78,287</b>     |
| <b>Accumulated surplus, beginning of the year</b>   | <b>811,290</b>    | <b>733,003</b>    |
| Adjustment to transfer on division of<br>North West Territories Power<br>Corporation (Note 4) | 5,834             | -                 |
| <b>Accumulated surplus, end of the year</b>   | <b>\$ 807,018</b> | <b>\$ 811,290</b> |

The accompanying notes and schedules are an integral part of the consolidated financial statements



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**GOVERNMENT OF NUNAVUT**

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**Consolidated Statement of Change in Net Debt**

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**as at March 31, 2002**

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*(thousands of dollars)*

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|   | 2002               | 2001               |
|---|--------------------|--------------------|
| <b>Surplus (deficit) for the year</b>   | <b>\$ (10,106)</b> | <b>\$ 78,287</b>   |
| <b>Tangible capital assets</b>  |                    |                    |
| Acquisition   | (77,622)           | (151,463)          |
| Amortization  | 31,828             | 30,070             |
| Disposals and write-downs   | 2,499              | 4,033              |
|   | (43,295)           | (117,360)          |
| <b>Net use (acquisition) of prepaid assets</b>  | <b>3,401</b>       | <b>(3,742)</b>     |
| <b>Increase in net debt</b>   | <b>(50,000)</b>    | <b>(42,815)</b>    |
| <b>Net assets (debt), beginning of year</b>   | <b>(13,405)</b>    | <b>25,668</b>      |
| <b>Change in accounting policy - classification of prepaid expenses (Note 3)</b>          | <b>(4,867)</b>     | <b>(1,125)</b>     |
| <b>Net assets (debt), beginning of the year (as restated)</b>                             | <b>(18,272)</b>    | <b>24,543</b>      |
| Adjustment to transfer on division of Northwest Territories<br>Power Corporation (Note 4) | 5,834              | -                  |
| <b>Net debt, end of year</b>  | <b>\$ (62,438)</b> | <b>\$ (18,272)</b> |

The accompanying notes and schedules are an integral part of the consolidated financial statements

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**GOVERNMENT OF NUNAVUT**

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**Consolidated Statement of Cash Flows**

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**for the year ended March 31, 2002**

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*(thousands of dollars)*

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|  | 2002              | 2001             |
|--|-------------------|------------------|
| <b>Cash provided by (used for)</b>                           |                   |                  |
| <b>government operations:</b>                                |                   |                  |
| Grants from Canada   | \$ 761,773        | \$ 658,166       |
| Taxes  | 44,559            | 34,714           |
| Other government revenues                                    | 114,409           | 90,052           |
| Grants and contributions                                     | (123,762)         | (114,866)        |
| Salaries and employee benefits                               | (220,357)         | (204,534)        |
| Goods and services acquired                                  | (414,687)         | (419,078)        |
| Cash provided by government operations                       | 161,935           | 44,454           |
| <b>Cash provided by (used for) investing activities:</b>     |                   |                  |
| Sale of tangible capital assets                              | 381               | 1,845            |
| Acquisitions of tangible capital assets                      | (66,865)          | (49,205)         |
| Loans to municipalities, businesses, and individuals         | (2,213)           | (2,932)          |
| Loan repayments to the government                            | 3,856             | 3,737            |
| Cash used for investing activities                           | (64,841)          | (46,555)         |
| <b>Cash used for financing activities:</b>                   |                   |                  |
| Payment of principal and interest under capital leases       | (15,312)          | (14,153)         |
| Payment of principal and interest on long term debt          | (5,141)           | (5,335)          |
| Payment of funds owed to GNWT on division of assets          | -                 | (35,313)         |
| Cash used for financing activities                           | (20,453)          | (54,801)         |
| <b>Increase (decrease) in cash and temporary investments</b> | <b>76,641</b>     | <b>(56,902)</b>  |
| <b>Cash and temporary investments, beginning of year</b>     | <b>62,572</b>     | <b>119,474</b>   |
| <b>Cash and temporary investments, end of year</b>           | <b>\$ 139,213</b> | <b>\$ 62,572</b> |

The accompanying notes and schedules are an integral part of the consolidated financial statements

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## GOVERNMENT OF NUNAVUT

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### Notes to Consolidated Financial Statements for the year ended March 31, 2002

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#### 1 AUTHORITY AND OPERATIONS

##### a) Authority and government reporting entity

The Government of Nunavut (the Government) operates under the authority of the *Nunavut Act (Canada)*. The Government has an elected Legislative Assembly which authorizes all disbursements except those specifically authorized by statute.

These consolidated financial statements are prepared in accordance with the *Nunavut Act (Canada)* and the *Nunavut Financial Administration Act*. The following organizations comprise the reporting entity represented by these consolidated financial statements. These organizations are accountable to, and are either owned or controlled by the Government.

All have a March 31 fiscal year end, except for Nunavut Arctic College which has a June 30 year end.

##### Entities fully consolidated in these financial statements

Government of Nunavut, including those Departments set out in the Government's Main Estimates.  
Revolving funds including the Petroleum Products Revolving Fund, and the Liquor Commission Revolving Fund.  
Nunavut Housing Corporation.  
Nunavut Arctic College.  
Nunavut Development Corporation.  
Nunavut Business Credit Corporation.

##### Authority for operations

*Financial Administration Act*  
  
*Revolving Funds Act*  
*Nunavut Housing Corporation Act*  
*Public Colleges Act*  
*NWT Development Corporation Act\**  
*NWT Business Credit Corporation Act\**

##### Entities presented in these financial statements using modified equity accounting

Nunavut Power Corporation.

##### Authority for operations

*Nunavut Power Utilities Act*

\* as duplicated for Nunavut by Section 29 of the *Nunavut Act (Canada)*

- b) A comparison of budgeted and actual operations is provided in the Government's unaudited, unconsolidated financial statements which are included in the Government's Public Accounts.

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## GOVERNMENT OF NUNAVUT

### Notes to Consolidated Financial Statements for the year ended March 31, 2002

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#### 2 SIGNIFICANT ACCOUNTING POLICIES

Section 45 of the *Nunavut Act (Canada)* requires that the Government's consolidated financial statements be prepared in accordance with accounting principles recommended by the Canadian Institute of Chartered Accountants.

Accordingly, the Government has adopted the recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants as the primary basis of its accounting policies. Other authoritative pronouncements are used to supplement the recommendations of the Public Sector Accounting Board, where appropriate.

##### a) Principles of consolidation

All entities included in the reporting entity other than the Nunavut Power Corporation (NPC) are fully consolidated, and significant transactions and balances between consolidated entities are eliminated.

The NPC is a Government business enterprise, and is accounted for using modified equity accounting. Under this method, the Government only reports its investment in the NPC, and the corporation's net revenues. Financial transactions and balances between the Corporation and other entities in the reporting entity are not eliminated.

##### b) Measurement uncertainty

Canadian generally accepted accounting principles for governments recommended by the Canadian Institute of Chartered Accountants require the Government to make estimates and assumptions that affect the amounts of certain assets, liabilities, revenues, and expenses reported in these financial statements. Some of the more significant areas where estimates have been used to prepare these financial statements include:

( i ) Grant revenue under the Formula Financing Agreement with Canada. The amount recognized as revenue is based in part on estimates from the federal Department of Finance and Statistics Canada. These estimates may change and impact revenue for up to seven years in the future;

( ii ) Income taxes collected by Canada on the Government's behalf, and Grant revenue from Canada in areas such as the Canada Health and Social Transfer. These collections and grants are subject to revision by Canada in future years; and

(iii) Allowance for doubtful accounts, loan valuation allowances and employee future benefits.

By their nature, estimates are subject to measurement uncertainty. Estimates contained in these financial statements are the Government's best estimates at the date these statements were prepared. However, changes to these estimates might have a significant effect on future financial statements.



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## GOVERNMENT OF NUNAVUT

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### Notes to Consolidated Financial Statements for the year ended March 31, 2002

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#### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

##### c) Employee future benefits

###### Non-Pension

Under the terms and conditions of employment, government employees may earn non-pension benefits for retirement, severance and removal costs based on years of service. The estimated liability and related expenses for annual leave, retirement, severance and removal costs are recorded as employees earn these benefits. The cost of the benefits has been determined based on management's best estimates.

###### Pension

Government employees participate in the Public Service Superannuation Plan administered by the Government of Canada. The Government contributes at a rate of 2.14 times (2001- 2.14 times) the employee's contribution. The Government's contributions are charged as an expense on a current year basis and represents the total pension obligations.

Pension benefits to Members of the Legislative Assembly are determined on an actuarial basis. This is done to determine the current value of future entitlement and uses various estimates. When actual experience varies from estimates, the adjustments needed are amortized over the estimated average remaining service lives of the contributors.

##### d) Obligations under leases

The Government classifies its leases for buildings and equipment as either capital or operating leases, as appropriate.

###### Capital leases

Those leases which transfer substantially all the benefits and risks of ownership of property to the Government are accounted for as both a tangible capital asset and a related capital lease obligation. Both are initially recorded at the present value of the minimum lease payments, effective at the beginning of the lease.

###### Operating leases

Operating leases are those leases where substantially all the benefits and risks of ownership are not transferred to the Government. Lease payments under operating leases are expensed.

##### e) Cash and temporary investments

Temporary investments are valued at the lower of cost and market value. Interest income is recorded on an accrual basis.

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## GOVERNMENT OF NUNAVUT

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### Notes to Consolidated Financial Statements for the year ended March 31, 2002

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#### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

##### f) Inventories for resale

Inventories for resale include bulk fuel, liquor, arts and crafts, and are valued at the lower of cost and net recoverable value.

##### g) Loans receivable

Loans receivable are valued at the lower of cost and net recoverable value. Valuation allowances recorded to reduce loans receivable are based on all circumstances known at the date these financial statements are prepared, including past events and current conditions. Interest revenue is not accrued when the collectability of either principal or interest is not reasonably assured.

##### h) Investment in Nunavut Power Corporation

The Government is the sole shareholder of the Nunavut Power Corporation (NPC), a Territorial Crown Corporation providing utility services to Nunavut Territory. The Corporation began its operations on April 1, 2001. The Government's share of the subsequent operations of the Corporation are accounted for in accordance with the modified equity basis of accounting described in Note 2a).

##### i) Non-financial assets

For Government non-financial assets, the future economic benefit consists of their capacity to render service to further the Government's objectives. Therefore, these assets will not provide resources to discharge the liabilities of the Government.

##### j) Tangible capital assets

Tangible capital assets include buildings, roads, equipment, etc. whose economic life extends beyond the fiscal year and are intended to be used on an ongoing basis for delivering services.

Tangible capital assets are recorded at cost, less accumulated amortization. The annual amortization of tangible capital assets is recorded as an expense in the Consolidated Statement of Operations.

##### k) Revenues

Unless otherwise stated, all revenues are reported on an accrual basis in the period in which transactions or events gave rise to the revenues. Specific revenue accounting policies, and departures from the accrual basis are as follows:

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## GOVERNMENT OF NUNAVUT

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### Notes to Consolidated Financial Statements for the year ended March 31, 2002

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#### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

##### Grant from Canada

The final amount of the annual grant from Canada pursuant to the Formula Financing Agreement is not known for many years, and is affected by many factors such as population growth, the growth of provincial-local government spending, tax revenues, and federal transfers.

Revenue recorded in the current year represents the Government's best estimate of the 2001/2002 grant from Canada. Future adjustments to the amount of the current year's grant are recorded as adjustments to grant revenue in the year that the need for adjustment is identified.

##### Other transfers from Canada

Other transfers from Canada are recognized as revenue in the period that the events giving rise to the transfer occurred, as long as: (i) the transfer is authorized; (ii) the Government has met eligibility criteria, if any; and (iii) a reasonable estimate of the amount of the transfer can be made.

Government transfers received before these criteria are met are deferred and included in accounts payable and accrued liabilities until the criteria are met.

##### Taxes and general revenues

Income taxes are collected on the Government's behalf by Canada, and are recognized as revenue on a cash basis.

Property taxes and school levies are assessed on a calendar year basis, and are recorded on an accrual basis in the fiscal year in which the calendar year ends.

Other taxes are accrued based on information provided by those parties which collect tax on the Government's behalf.

Licenses, fees, and permits are recorded on a cash basis.

#### **1) Expenses**

Expenses are recorded on an accrual basis.

Grants and contributions are recorded as expenses when the following criteria are all met: (i) the grant or contribution has necessary authorization; (ii) the recipient has met eligibility criteria, if any; and (iii) a reasonable estimate of the amount of the transfer can be made.

Grants or contributions paid prior to all three conditions being met are accounted for as revenues receivable until all conditions are met.

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## GOVERNMENT OF NUNAVUT

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### Notes to Consolidated Financial Statements for the year ended March 31, 2002

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#### 3 CHANGE IN ACCOUNTING POLICY

The Government has adopted new standards for the preparation of financial statements recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants, and has applied these changes retroactively in these financial statements. The effect of the new standards on these financial statements compared with previous financial statements are:

The statement of tangible capital assets included in previous years' financial statements has been replaced with a schedule of tangible capital assets, and the total tangible capital assets are now classified as non-financial assets in the government's consolidated statement of financial position.

Prepaid expenses have been reclassified from financial assets to non-financial assets. As a result of applying this change retroactively, reported net debt as of April 1, 2001 has increased by \$4,867,000 and reported net assets as of April 1, 2000 has been decreased by \$1,125,000. The reported change in net debt for 2000-2001 has been decreased by \$ 3,742,000.

#### 4 DIVISION OF FORMER NORTHWEST TERRITORIES POWER CORPORATION (NTPC)

The Government's investment in the Nunavut Power Corporation (NPC) originated from the creation of Nunavut on April 1, 1999 and the subsequent division of the Northwest Territories Power Corporation (NTPC). A preliminary allocation to transfer a portion of the investment to the Government of Nunavut was recorded on April 1, 1999. A two year transition period, governed by two intergovernmental agreements, resulted in a revised allocation of NTPC assets, liabilities and shareholder's equity. Effective April 1, 2001, all corporate operations within the Nunavut Territory were taken over by NPC. The results of the revised allocation, which is still subject to ratification by each government, is to increase the preliminary allocation of Nunavut's share of NTPC's equity by \$5,834,000. The related capital transfer of net financial resources and accumulated surplus took place as follows:

|                                   | <b>Investment<br/>in NPC</b><br>(thousands of dollars) |
|-----------------------------------|--|
| Investment in NPC - preliminary   | \$ 37,599  |
| Adjustment                        | <u>5,834</u>   |
| Balance as restated April 1, 2001 | <u>\$ 43,433</u>                                       |

Other related impacts of this adjustment are to increase the Accumulated Surplus by \$5,834,000 and decrease Net Debt by the same amount.



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## GOVERNMENT OF NUNAVUT

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### Notes to Consolidated Financial Statements for the year ended March 31, 2002

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#### 5 CASH AND TEMPORARY INVESTMENTS

Temporary investments are placed in high grade, short-term income producing assets.

The portfolio yield for the year ended March 31, 2002 varied from 1.80% to 6.10% (2001 - 4.25% to 5.58%). As at March 31, 2002 the Government held temporary investments in the amount of \$19,180,000 (2001 - \$15,735,000). The average term to maturity is 80 days (2001 - 34 days).

#### 6 DUE FROM CANADA

|   | 2002                   | 2001              |
|---|------------------------|-------------------|
|   | (thousands of dollars) |                   |
| Grant receivable                                      |                        |                   |
| Formula Financing Agreement grant (Schedule A)        | \$ 598,680             | \$ 596,154        |
| Less: payments received                               | (676,956)              | (538,448)         |
|   | <u>(78,276)</u>        | <u>57,706</u>     |
| Balance receivable (payable) at beginning of the year | 56,206                 | (1,500)           |
|   | (22,070)               | 56,206            |
| Other receivables                                     | <u>78,834</u>          | <u>44,166</u>     |
|   | <u>\$ 56,764</u>       | <u>\$ 100,372</u> |

The amounts due from Canada are non-interest bearing. The carrying amounts approximate fair market value because of the short term to maturity.

#### 7 REVENUES RECEIVABLE

|  | 2002                   | 2001             |
|--|------------------------|------------------|
|  | (thousands of dollars) |                  |
| Local Housing Associations and Authorities   | \$ 547                 | \$ 762           |
| Other accounts receivable                    | 41,442                 | 45,668           |
| Due from Government of Northwest Territories | 7,543                  | 18,364           |
| Less: allowance for doubtful accounts        | <u>(8,880)</u>         | <u>(9,664)</u>   |
|  | <u>\$ 40,652</u>       | <u>\$ 55,130</u> |

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**GOVERNMENT OF NUNAVUT**

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**Notes to Consolidated Financial Statements**

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**for the year ended March 31, 2002**

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**8 LOANS RECEIVABLE**

|  | <b>2002</b>            |               | <b>2001</b> |               |
|--|------------------------|---------------|-------------|---------------|
|  | (thousands of dollars) |               |             |               |
| Mortgage loans from Nunavut Housing Corporation to individuals with a maximum maturity of 25 years bearing interest between 6.00% and 14.25%, net of valuation allowance of \$7,097,000 (2001 - \$5,789,000) | \$                     | 6,608         | \$          | 7,925         |
| Loans from Nunavut Business Credit Corporation to businesses with a maximum maturity of 25 years, bearing interest between 5.75% and 11.50%, net of valuation allowance of \$ 740,000 (2001 - \$1,032,147)   |                        | 7,088         |             | 6,950         |
| Loans to municipalities due in instalments to 2017 bearing interest between 0.00% and 9.50%, net of valuation allowance of \$ 435,760 (2001 - \$435,760)   |                        | 4,158         |             | 5,120         |
| Student Loan Fund loans due in instalments to 2011, bearing interest between 3.34% and 11.75%, net of valuation allowance and allowance for forgiveness of \$1,509,708 (2001 - \$1,420,498)                  |                        | 1,180         |             | 1,111         |
| Other  |                        | 315           |             | 307           |
|  | \$                     | <u>19,349</u> | \$          | <u>21,413</u> |

**9 INVESTMENT IN NUNAVUT POWER CORPORATION**

The Governments of the Northwest Territories and Nunavut agreed to divide the net assets of the Northwest Territories Power Corporation (NTPC) on April 1, 2001 as if the corporation had been divided on April 1, 1999. All corporate operations within the Nunavut Territory were taken over by Nunavut Power Corporation (NPC) on this date. The allocation of the NTPC assets, liabilities and shareholder's equity between its Nunavut operations to NPC and its Northwest Territories operations to the NTPC was governed by two agreements: The Transition Agreement between the Governments of the Northwest Territories (GNWT) and the Interim Commissioner of Nunavut and the Transfer of Interest Agreements between the GNWT, Government of Nunavut (GN), NTPC and NPC.

Summary financial information of the Nunavut Power Corporation is presented below.

|   | <b>2002</b>            |                  | <b>April 1, 2001</b> |                 |
|---|------------------------|------------------|----------------------|-----------------|
|   | (thousands of dollars) |                  |                      |                 |
| Assets                                  | \$                     | 139,097          | \$                   | 122,295         |
| Liabilities                             |                        | <u>(111,567)</u> |                      | <u>(84,696)</u> |
| Investment in Nunavut Power Corporation | \$                     | <u>27,530</u>    | \$                   | <u>37,599</u>   |

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**GOVERNMENT OF NUNAVUT**

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**Notes to Consolidated Financial Statements**

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**for the year ended March 31, 2002**

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**9 INVESTMENT IN NUNAVUT POWER CORPORATION (continued)****Statement of Operations and Surplus**  
**For the year ended March 31, 2002**

|   | NPC<br>Results of<br>Operations<br>(thousands of dollars) | 2001<br>Government's<br>Share of NTPC<br>Operations |
|---|---|---|
| Revenues  | \$ 54,815   | \$ 37,199   |
| Expenses  | (70,718)  | (33,938)  |
| Net revenue   | <u>(15,903)</u>   | <u>3,261</u>  |
| Surplus, beginning of year  | 23,170  | 22,398  |
| Nunavut's share of former NTPC<br>capital stock converted to surplus<br>upon division | 14,429  | -   |
| Change in Accounting Policy   | -   | (189)   |
| Adjustment to transfer on division of NTPC  | 5,834   |   |
| Dividend  | <u>-</u>  | <u>(2,300)</u>                                      |
| Surplus, end of year  | <u>\$ 27,530</u>  | <u>\$ 23,170</u>                                    |

Included in the above are revenues from and expenditures to entities in the Government's reporting entity of \$23,785,000 (2001 - \$14,488,000) and \$10,708,000 (2001 - \$8,508,000) respectively.

**10 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

|  | 2002<br>(thousands of dollars) | 2001              |
|--|--------------------------------|-------------------|
| <b>Payable to related parties</b>                                    |                                |                   |
| Nunavut Power Corporation  | \$ 5,843                       | \$ -              |
| Northwest Territories Power Corporation                              | -                              | 1,876             |
| Local Housing Associations and Authorities                           | <u>3,937</u>                   | <u>3,029</u>      |
|  | <u>9,780</u>                   | <u>4,905</u>      |
| <b>Other</b>   |                                |                   |
| Accounts Payable   | 75,116                         | 54,294            |
| Other Liabilities, Payroll Deductions, and<br>Contractor's Holdbacks | 30,708                         | 23,580            |
| Due to Government of Northwest Territories                           | 30,909                         | 15,430            |
| Deferred revenue   | <u>13,441</u>                  | <u>10,086</u>     |
|  | <u>150,174</u>                 | <u>103,390</u>    |
|  | <u>\$ 159,954</u>              | <u>\$ 108,295</u> |



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## GOVERNMENT OF NUNAVUT

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### Notes to Consolidated Financial Statements for the year ended March 31, 2002

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#### 11 EMPLOYEE FUTURE BENEFITS

##### Non-Pension

|                          | 2002<br>(thousands of dollars) |        | 2001      |
|--------------------------|--------------------------------|--------|-----------|
| Vacation pay             | \$                             | 11,292 | \$ 10,378 |
| Removal                  |                                | 7,339  | 7,439     |
| Retirement and Severance |                                | 7,962  | 6,616     |
|                          | \$                             | 26,593 | \$ 24,433 |

##### Pension

###### a) Public Service Superannuation Plan

Both the Government and its employees make contributions to the Public Service Superannuation Plan administered by Canada. In 2002, the Government's contributions were \$ 17,132,553 (2001 - \$11,571,544).

The amount of the Government's contributions are set by Canada, and represent the Government's sole obligation under this Plan. The Government is not required under present legislation to make contributions with respect to actuarial deficiencies of the Plan.

###### b) Legislative Assembly Retiring Allowance Plans

The Government of Nunavut sponsors two defined benefit pension plans for Members of the Legislative Assembly. Both plans are administrated by the Management and Services Board of the Legislative Assembly.

The first plan is a registered and contributory defined benefit pension plan established under the *Legislative Assembly Retiring Allowances Act* (LARAA). The Office of the Legislative Assembly, Government of Nunavut operates a separate pension fund in trust to administer LARAA contributions and allowances. The fund came into effect on April 1, 1999.

The second plan is a voluntary non-registered, non-contributory defined benefit pension plan established under the *Supplementary Retiring Allowances Act* (SRAA) for Members who elect to participate. Payments and expenses related to the SRAA are paid from the Government's consolidated revenue fund. The plan came into effect during the 2001-2002 fiscal year, and provides for benefits retroactive to April 1, 1999.

The last actuarial valuation of the plans was on April 1, 2002. The valuation is based on a number of assumptions about future events including inflation rates, interest rates, increases in remuneration, and mortality. Assumptions used reflect the Government's best estimates, including a rate of return on assets of 7.0 % and inflation of 4.0 %.



# GOVERNMENT OF NUNAVUT

## Notes to Consolidated Financial Statements for the year ended March 31, 2002

### 11 EMPLOYEE FUTURE BENEFITS (continued)

Pension liabilities as of March 31 are as follows:

|                            | 2002                                    |  | 2001                   |               |
|----------------------------|---|--|------------------------|---------------|
|                            | Pension plan<br>established<br>by LARAA | Pension plan<br>established<br>by the SRAA | (thousands of dollars) |               |
| Accrued benefit obligation | \$ 1,154                                | \$ 1,801                                   | \$ 2,955               | \$ 780        |
| Pension fund net assets    | (1,099)                                 | -  | (1,099)                | (674)         |
| Pension liability          | <u>\$ 55</u>                            | <u>\$ 1,801</u>                            | <u>\$ 1,856</u>        | <u>\$ 106</u> |

Net pension liabilities are included as part of accounts payable and accrued liabilities in the consolidated statement of financial position. The Government's pension expense related to the LARAA and SRAA during the year are \$250,100 and \$1,801,700 respectively (2000-2001: \$250,000 and \$ nil). Expenses related to the SRAA include costs of past service between April 1, 1999 and the date of the Plan's inception. MLA contributions under the LARAA were \$95,484 (2001 - \$92,167).

### 12 LONG TERM DEBT

Long term debt is comprised of Nunavut Housing Corporation loans payable to Canada Mortgage and Housing Corporation, repayable in annual instalments to the year 2033, bearing interest at a rate of 6.97%. Principal and interest amounts due in each of the next five fiscal years and thereafter are as follows:

|                 | Principal              | Interest         | Total             |
|-----------------|------------------------|------------------|-------------------|
|                 | (thousands of dollars) |                  |                   |
| 2003            | 1,274                  | 3,868            | 5,142             |
| 2004            | 1,364                  | 3,778            | 5,142             |
| 2005            | 1,461                  | 3,681            | 5,142             |
| 2006            | 1,564                  | 3,578            | 5,142             |
| 2007            | 1,675                  | 3,466            | 5,141             |
| 2008 and beyond | 47,206                 | 37,348           | 84,554            |
|                 | <u>\$ 54,544</u>       | <u>\$ 55,719</u> | <u>\$ 110,263</u> |

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## GOVERNMENT OF NUNAVUT

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### Notes to Consolidated Financial Statements for the year ended March 31, 2002

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#### 13 EXPENSES BY TYPE (OBJECT)

|                                 | 2002<br>(thousands of dollars) |                | 2001 |                |
|---------------------------------|--------------------------------|----------------|------|----------------|
| Grants and contributions        | \$                             | 116,187        | \$   | 107,118        |
| Salaries and employee benefits  |                                | 235,071        |      | 213,524        |
| Payments for goods and services |                                | 413,926        |      | 388,729        |
|                                 | \$                             | <u>765,184</u> | \$   | <u>709,371</u> |

#### 14 RELATED PARTY TRANSACTIONS

##### Contributions to related parties

Transactions with related parties and balances at year end not disclosed elsewhere in the financial statements, are disclosed in this note. During the year, the Government made contributions and grants to the following related parties which are outside of the reporting entity described in Note 1 a):

|  | 2002<br>(thousands of dollars) |        | 2001 |        |
|--|--------------------------------|--------|------|--------|
| Local Housing Associations and Authorities | \$                             | 57,148 | \$   | 54,868 |

The Government provides funding to many communities, boards, and agencies that offer services to the public, and which operate independently of normal Government operations.

#### 15 CAPITAL LEASE OBLIGATIONS

The Government of Nunavut leases certain office facilities and housing units that were initiated to support the Public Housing and Senior Citizens' Rent Supplement Programs. Capital lease obligations are based upon contractual minimum lease payments for the lease in effect as of March 31, 2002.

|  | 2002<br>(thousands of dollars) |                | 2001 |                |
|--|--------------------------------|----------------|------|----------------|
| Total minimum lease payments               | \$                             | 250,526        | \$   | 258,119        |
| Less: imputed interest and executory costs |                                | <u>113,957</u> |      | <u>122,424</u> |
| Present value of minimum lease payments    | \$                             | <u>136,569</u> | \$   | <u>135,695</u> |

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## GOVERNMENT OF NUNAVUT

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### Notes to Consolidated Financial Statements for the year ended March 31, 2002

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#### 15 CAPITAL LEASE OBLIGATIONS (continued)

Future minimum lease payments for each of the next 5 years and thereafter are:

|            |                   |
|------------|-------------------|
| 2003       | 15,418            |
| 2004       | 15,462            |
| 2005       | 15,506            |
| 2006       | 15,551            |
| 2007       | 15,597            |
| After 2008 | <u>172,992</u>    |
|            | <u>\$ 250,526</u> |

#### 16 COMMITMENTS

The Government has entered into agreements for, or is contractually committed to, the following payments subsequent to March 31, 2002:

|   | Expiry Date | Total<br>(thousands of dollars) |
|---|-------------|---------------------------------|
| Canada Mortgage and Housing Corporation | 2038        | \$ 419,872                      |
| Commitments under operating leases      | 2022        | 348,484                         |
| Capital commitments                     | 2005        | 23,639                          |
| Policing agreements                     | 2013        | 183,147                         |
| Other commitments                       | 2008        | 10,046                          |
|   |             | <u>\$ 985,188</u>               |

Commitments by fiscal year are as follows:

|                 |                   |
|-----------------|-------------------|
| 2003            | 95,689            |
| 2004            | 82,885            |
| 2005            | 71,588            |
| 2006            | 66,029            |
| 2007            | 63,409            |
| 2008 and beyond | <u>605,588</u>    |
|                 | <u>\$ 985,188</u> |

In accordance with a Declaration of Trust Agreement, the Canada Mortgage and Housing Corporation (CMHC) transferred its ownership interest in territorial rental and loan portfolios to the Northwest Territories Housing Corporation as Trustee. The Northwest Territories Housing Corporation in turn transferred this interest to the Nunavut Housing Corporation (the Corporation). The Corporation assumed full responsibility and liability for the social housing programs related to the portfolio and receives annual funding from CMHC to manage these programs. The agreement and funding expire in 2038.



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## GOVERNMENT OF NUNAVUT

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### Notes to Consolidated Financial Statements for the year ended March 31, 2002

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#### 16 COMMITMENTS (continued)

A portion of this funding is used to make payments on portfolio-related CMHC mortgages of \$148,608,000 maturing between 2003 and 2038, plus interest of \$271,265,000 at interest rates ranging from 4.5% to 21.5%. As the related mortgages mature, the Corporation obtains clear title to CMHC's share of the book value of the respective assets. Until clear title is obtained, CMHC is entitled to its respective share of any gains on the disposal of any portfolio assets.

The portfolio assets and mortgages, held in trust, are recorded only as a commitment in these financial statements. Additionally, since CMHC retains the annual mortgage-related funding to make the mortgage payments, neither the funding nor the mortgage payments are recorded by the Government.

#### 17 CONTINGENCIES

##### a) Post-division adjustments

The agreement governing the division of assets and liabilities between the Government of Nunavut and the Government of the Northwest Territories as at April 1, 1999 sets out a mechanism which provides for post-division adjustments.

The period for such adjustments is unlimited, and such adjustments would be made in a variety of specified circumstances such as the settlement of litigation related to events prior to the date of division. In such an event, there is an opportunity for one of the governments to file a claim against the other government to share in costs. Significant claims are described in Note 18.

##### b) Environmental restoration costs

As circumstances and funding have permitted, the Government has been addressing the problem of environmental liabilities. This process has consisted, in a number of departments, of identifying sites of potential liability, if necessary, for each site and, on an ongoing basis, remediating the site. Costs of remediating the sites are charged to operations as incurred.

Sites in, or in close proximity to, communities have been identified where environmental liabilities may exist. Assessments are being done on an ongoing basis and remediation plans are in place for those sites where environmental hazards have been identified. In addition, fuel caches outside communities have been identified and a program of ongoing site inspection, and where necessary drum removal and remediation is in place. There are however, a significant number of existing sites where, due to remoteness or the small number of drums involved (with the potential for only limited local contamination), formal site inspections have yet to be made.



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## GOVERNMENT OF NUNAVUT

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### Notes to Consolidated Financial Statements for the year ended March 31, 2002

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#### 17 CONTINGENCIES (continued)

The Government will continue with its program of site inspection, assessment and remediation on an ongoing basis. While estimates of the costs attributable to the Government are not yet available, the Government will continue to work in a practical manner towards the determination and recognition of environmental liabilities.

In those cases where the cost of remediating sites is quantifiable, an estimate of the liability is accrued. As of March 31, 2002, no costs have yet been quantified so no liability has been accrued.

#### 18 SUBSEQUENT EVENTS

##### a) Equal Pay Settlement

In March 1989, the Public Service Alliance of Canada filed an equal pay complaint against the Government of the Northwest Territories (GNWT).

The complaint was settled by order of the Canadian Human Rights Tribunal in 2002. In accordance with s. 4.13 of the Agreement on Assets and Liabilities entered into between the GNWT and the Interim Commissioner of Nunavut on Division, the Government of Nunavut's share of the settlement is estimated to be \$12,800,000. This amount has been included as an expense in the Statement of Operations and as an amount due to the GNWT in the Statement of Financial Position.

##### b) Litigation related to alleged actions of former schoolteacher

In January 2001, the Governments of Nunavut and the Northwest Territories were named as defendants in a class action suit filed on behalf of approximately 85 plaintiffs. The suit relates to alleged abuse by a former school teacher in a number of Communities in the Northwest Territories prior to Division. Counsel for the GNWT assumed the defence of the action and the GNWT will pay 55.66 % of any settlement in accordance with the Agreement on Assets and Liabilities. The GN remains liable for the balance of 44.34% of any settlement. During the year, the parties agreed to attempt to settle the litigation through a judicial Alternative Dispute Resolution (ADR) process as provided in the Supreme Court Rules. During the fiscal year ended March 31, 2002, an advance payment of \$1,000,000 was paid (GN portion \$443,000).

Subsequent to year end, a provisional settlement in the amount of \$21,500,000 was reached. The Government of Nunavut's share of \$9,200,000 is included as an expense and a liability in these financial statements. It is possible that a portion of Nunavut's estimated cost will be recovered from insurers. However, the amount of recovery, if any, is not known at this time. Any recoveries from insurers will be included in revenue when received.

#### 19 COMPARATIVE INFORMATION

Comparative figures have been reclassified to conform to the current year's presentation.

**GOVERNMENT OF NUNAVUT****SCHEDULE A****Consolidated Schedule of Revenues by Source**  
**for the year ended March 31, 2002**  
*(thousands of dollars)*

|   | 2002              | 2001              |
|---|-------------------|-------------------|
| <b>From Canada</b>  |                   |                   |
| Formula Financing Agreement (Note 6)                                      | \$ 598,680        | \$ 596,154        |
| Transfer payments   | 90,158            | 91,004            |
|   | <u>688,838</u>    | <u>687,158</u>    |
| <b>Revenues generated by Nunavut</b>                                      |                   |                   |
| Taxes   | 37,662            | 43,650            |
| General   | 30,366            | 38,796            |
| Sales   |                   |                   |
| Liquor Commission Revolving Fund (net of cost of goods sold of \$1,461)   | 2,702             | 2,048             |
| Petroleum Products Revolving Fund (net of cost of goods sold of \$66,947) | 11,413            | 12,934            |
| Net revenues Nunavut Power Corporation (Note 9)                           | (15,903)          | -                 |
| Net revenues Northwest Territories Power Corporation (Note 9)             | -                 | 3,072             |
|   | <u>66,240</u>     | <u>100,500</u>    |
| <b>Total revenues</b>   | <u>\$ 755,078</u> | <u>\$ 787,658</u> |

## Consolidated Schedule of Tangible Capital Assets

as at March 31, 2002

(thousands of dollars)

|                                 | Buildings       | Capital<br>Lease<br>Buildings | Storage         | Tank Farms      | Equipment      | Infrastructure  | Land   | 2002       | 2001       |
|---------------------------------|-----------------|-------------------------------|-----------------|-----------------|----------------|-----------------|--------|------------|------------|
| <b>Cost of Tangible Assets</b>  |                 |                               |                 |                 |                |                 |        |            |            |
| Opening balance                 | \$ 575,442      | \$ 140,696                    | \$ 39,012       | \$ 93,497       | \$ 11,905      | \$ 86,659       | \$ 260 | \$ 947,471 | \$ 800,041 |
| Additions                       | 51,093          | 4,820                         | 679             | 5,491           | 2,908          | 12,631          | -      | 77,622     | 151,463    |
| Disposals                       | (2,454)         | -                             | -               | -               | (45)           | -               | -      | (2,499)    | (4,033)    |
| Closing balance                 | 624,081         | 145,516                       | 39,691          | 98,988          | 14,768         | 99,290          | 260    | 1,022,594  | 947,471    |
| <b>Accumulated Amortization</b> |                 |                               |                 |                 |                |                 |        |            |            |
| Opening Balance                 | (94,471)        | (6,166)                       | (4,714)         | (6,001)         | (5,815)        | (5,607)         | -      | (122,776)  | (92,706)   |
| Amortization for the year       | (17,461)        | (4,808)                       | (1,232)         | (3,205)         | (2,355)        | (2,988)         | -      | (32,049)   | (30,170)   |
| Disposals                       | 200             | -                             | -               | -               | 21             | -               | -      | 221        | 100        |
| Closing balance                 | (111,732)       | (10,976)                      | (5,946)         | (9,206)         | (8,149)        | (8,595)         | -      | (154,604)  | (122,776)  |
| <b>Net Book Value</b>           | \$ 512,349      | \$ 134,540                    | \$ 33,745       | \$ 89,782       | \$ 6,619       | \$ 90,695       | \$ 260 | \$ 867,990 | \$ 824,695 |
| <b>Estimated Useful Life</b>    | <b>30 Years</b> | <b>30 Years</b>               | <b>30 Years</b> | <b>30 Years</b> | <b>5 Years</b> | <b>30 Years</b> |        |            |            |